

**DIXIE WORKSHOPS, INC.
(NONPROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
AND COMPLIANCE REPORTS**

FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 11
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 - 13
Auditors' Report on State Legal Compliance	14 - 15
Management Letter	16 - 17



INDEPENDENT AUDITORS' REPORT

Board of Directors
Dixie Workshops, Inc.
St. George, Utah

We have audited the accompanying statement of financial position of Dixie Workshops, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities; functional expenses; and cash flows for the year then ended. These financial statements are the responsibility of Dixie Workshops' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Workshops, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2006, on our consideration of Dixie Workshops' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hafen, Buckner, Everett, & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 23, 2006

DIXIE WORKSHOPS, INC.

Statement of Financial Position

June 30, 2005

ASSETS

Current Assets:

Cash	\$	3,676
Receivables (Note 3)		44,093
Other Assets		48
Total Current Assets		<u>47,817</u>

Fixed Assets:

Vehicles		187,153
Furniture, Fixtures & Equipment		20,089
Less: Accumulated Depreciation		<u>(177,791)</u>
Total Fixed Assets		<u>29,451</u>

TOTAL ASSETS	\$	<u>77,268</u>
---------------------	-----------	----------------------

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$	8,211
Line of Credit		2,645
Current Portion of Long-Term Debt		<u>17,418</u>
Total Current Liabilities		<u>28,274</u>

Long-Term Debt		<u>32,372</u>
----------------	--	---------------

Total Liabilities		<u>60,646</u>
-------------------	--	---------------

Net Assets:

Unrestricted Net Assets:

Operations:

Undesignated		36,960
Fixed Assets		<u>(20,338)</u>
Total Unrestricted Net Assets		<u>16,622</u>

TOTAL LIABILITIES & NET ASSETS	\$	<u>77,268</u>
---	-----------	----------------------

The Accompanying Notes are an Integral
Part of These Financial Statements

DIXIE WORKSHOPS, INC.

Statement of Activities
For the Year Ended June 30, 2005

	<u>Operations</u>	<u>Unrestricted Fixed Assets</u>	<u>Total</u>
PUBLIC SUPPORT & REVENUE:			
Public Support:			
State Division of Services for People with Disabilities Program	\$ 533,639	\$ -	\$ 533,639
State Division of Rehabilitation Services Program	11,611	-	11,611
Total Public Support	545,250	-	545,250
Revenue:			
Local Services	46,229	-	46,229
Gain on Sale of Fixed Assets	988	-	988
Total Public Support & Revenues	<u>592,467</u>	<u>-</u>	<u>592,467</u>
FUNCTIONAL EXPENSES:			
Program Services	454,071	21,197	475,268
Administration	123,723	6,786	130,509
Total Functional Expenses	<u>577,794</u>	<u>27,983</u>	<u>605,777</u>
Change in net assets	14,673	(27,983)	(13,310)
Property & Equipment Acquisitions & Transfers From Current Funds	(18,576)	18,576	-
Net assets, beginning of year	<u>40,863</u>	<u>(10,931)</u>	<u>29,932</u>
NET ASSETS, END OF YEAR	<u>\$ 36,960</u>	<u>\$ (20,338)</u>	<u>\$ 16,622</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

DIXIE WORKSHOPS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2005

	<u>Program Services</u>			
	<u>Supported Employment</u>	<u>Day Treatment</u>	<u>Administrative</u>	<u>Total Expenses</u>
Payroll:				
Salaries	\$ 116,974	\$ 99,644	\$ 78,323	\$ 294,941
Fringe	29,955	25,517	18,252	73,724
Total Payroll	146,929	125,161	96,575	368,665
Other:				
Professional Services	3,334	2,790	679	6,803
Dues & Subscriptions	1,293	1,101	-	2,394
Client Payments	30,574	-	-	30,574
Interest Expense	2,535	2,160	-	4,695
Liability Insurance	-	-	5,053	5,053
Licenses & Permits	1,002	854	-	1,856
Miscellaneous	605	506	123	1,234
Occupancy	23,330	19,521	4,761	47,612
Program Supplies	12,720	10,836	-	23,556
Supplies	2,490	2,083	508	5,081
Communications	5,547	4,641	1,132	11,320
Transportation	29,432	24,627	6,007	60,066
Travel & Training	-	-	8,885	8,885
Total Expenses Before Depreciation	259,791	194,280	123,723	577,794
Depreciation	11,459	9,738	6,786	27,983
Total Expenses	<u>\$ 271,250</u>	<u>\$ 204,018</u>	<u>\$ 130,509</u>	<u>\$ 605,777</u>

DIXIE WORKSHOPS, INC.

Statement of Cash Flows For the Year Ended June 30, 2005

Cash Flows from Operating Activities:

Cash from State Programs	\$ 545,285
Cash Received for Local Services	46,229
Cash Paid for Operating Expenses	(180,176)
Cash Paid to Employees and Clients	<u>(409,206)</u>

Net Cash Provided from Operations 2,132

577,794

Cash Flows from Investing Activities:

Cash Received for Sale of Fixed Assets	<u>2,000</u>
--	--------------

Cash Flows from Financing Activities:

Proceeds from Long-Term Debt	-
Payments on Long-Term Debt	<u>(19,588)</u>

Net Cash Provided from Operations (19,588)

Increase/(Decrease) in Cash (15,456)

Cash at Beginning of Period 19,132

Cash at End of Period \$ 3,676

DIXIE WORKSHOPS, INC.
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2005

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ (13,310)
------------------------	-------------

**Adjustments to Reconcile Net Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation	27,983
Loss on Disposal of Fixed Assets	(988)

Changes in Operating Assets and Liabilities

Decrease in Receivables	88
Decrease in Accounts Payable	(1,621)
Decrease in Accrued Payroll	(12,665)
Increase in Line of Credit	<u>2,645</u>

Net Cash Provided by Operating Activities	<u><u>\$ 2,132</u></u>
--	-------------------------------

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u><u>\$ 4,695</u></u>
------------------------	------------------------

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Background

Dixie Workshops, Inc. was incorporated under the laws of the state of Utah as a nonprofit organization. Dixie Workshops, Inc. provides services for people with disabilities who are citizens of Washington County, Utah.

B. General

The accompanying financial statements of the Dixie Workshops, Inc. have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

C. Basis of Presentation

Dixie Workshops, Inc. has adopted Statement of the Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, Dixie Workshops, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

E. Description of Programs

Day Treatment:

This program provides meaningful daily experience to adult handicapped through community experiences, and/or facility-based programs. The program includes transportation to and from residential setting, necessary supplies, supervision, assessment, evaluation, tools and time. The program is reimbursed by the Utah State Division of Services for People with Disabilities (DSPD) according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Local revenues are used as wages for handicapped trainees.

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supported Employment:

This program provides training and maintenance of handicapped adults in a community employment situation. Services include transportation, job coaching, assessment, evaluation, tools and time. The program is reimbursed by DSPD according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Local revenues are used as wages to pay handicapped workers where the individual isn't directly employed by participating business.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

F. Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

G. Income Taxes

No provision has been made for Federal income taxes because Dixie Workshops, Inc. is exempt from Federal income tax as an education organization that was organized under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2005.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments.

All funds are deposited into one consolidated checking account which is insured by FDIC up to \$100,000. On June 30, 2005, Dixie Workshops' bank balance was \$18,653.

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3: RECEIVABLES

Receivables at June 30, 2005, are deemed to be fully collectible by management and consisted of amounts receivable from State of Utah Agencies and employees as follows:

State Division of Services for People with Disabilities	\$ 43,995
Employee Advances	<u>98</u>
Total	<u>\$ 44,093</u>

NOTE 4: FIXED ASSETS

Expenditures for fixed assets are carried at cost. Donated assets are recorded at their estimated fair market values at the date of donation. All expenditures for fixed assets in excess of \$500 are capitalized. Depreciation of fixed assets is calculated on the straight line basis over the asset's useful life.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation for the year ended June 30, 2005 was \$27,983.

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5: LONG TERM DEBT

Long-term debt at June 30, 2005 consisted of the following:

Note payable to Wells Fargo Bank in monthly installments of \$376.76 including interest of 7.99% due September 2007, secured by a 2001 Chevrolet Express Van.	\$ 9,281
Note payable to Wells Fargo Bank in monthly installments of \$410.00 including interest of 5.2% due July 2008, secured by a 2000 Ford Lariat Truck.	14,621
Note payable to Wells Fargo Bank in monthly installments of \$261.02 including interest of 7.99% due April 2011, secured by a 2003 Chevrolet Venture Van.	14,583
Note payable to Wells Fargo Bank in monthly installments of \$356.98 including interest of 8.5% due April 2006, secured by a 1999 Ford Windstar Van.	3,038
Note payable to Wells Fargo Bank in monthly installments of \$389.16 including interest of 8.49% due June 2007, secured by a 2000 Chevrolet Express Van.	<u>8,267</u>
Total	49,790
Less Current Portion	<u>(17,418)</u>
Total Long-Term Debt	<u><u>\$ 32,372</u></u>

Maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Amount Due</u>
6/30/2006	\$ 17,418
6/30/2007	15,124
6/30/2008	8,273
6/30/2009	3,633
6/30/2010	2,808
6/30/2011	<u>2,534</u>
Total Long-Term Debt	<u><u>\$ 49,790</u></u>

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6: CONCENTRATION OF SERVICE REVENUE

Nearly all of Dixie Workshops' support is provided through a contract obtained with the Utah Division of Services for People with Disabilities. Loss of this support would have a materially adverse effect on Dixie Workshops, Inc. ability to continue operations. The current contract terminates on June 30, 2005 and is expected to be renewed.

NOTE 7: COMMITMENTS

Dixie Workshops, Inc. entered into a noncancellable operating lease for a building. Rental expense under operating lease agreements was \$29,570 for the year ended June 30, 2005. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2005 are as follows:

Year Ending June 30

2006	\$ 37,800
2007	37,800
2008	37,800

SUPPLEMENTARY
INFORMATION
AND
COMPLIANCE
REPORTS



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Dixie Workshops, Inc.

We have audited the financial statements of Dixie Workshops, Inc. (a Nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Dixie Workshops' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dixie Workshops' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and the state of Utah and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 23, 2006



AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

BOARD OF DIRECTORS
DIXIE WORKSHOPS, INC.

We have audited the general purpose financial statements of Dixie Workshops, Inc. for the year ended June 30, 2005 and have issued our report thereon dated January 23, 2006. As part of our audit, we have audited Dixie Workshop's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. Dixie Workshops, Inc. received the following major state assistance program from the State of Utah: Title XIX Home & Community Based Waiver (Division of Services for People with Disabilities).

Dixie Workshops, Inc. also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Dixie Workshop's financial statements.) Specialized Rehabilitative Services (Division of Rehabilitation Services).

The management of Dixie Workshop, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Dixie Workshop's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Dixie Workshops, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 23, 2006



BOARD OF DIRECTORS
DIXIE WORKSHOPS, INC.
ST. GEORGE, UTAH

In planning and performing our audit of the financial statements of Dixie Workshops, Inc. for the year ended June 30, 2005, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on Dixie Workshops' internal control in our report dated January 23, 2006.) This letter does not affect our report dated January 23, 2006, on the financial statements of Dixie Workshops, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Dixie Workshops, Inc. management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

STATUS OF PRIOR YEAR FINDINGS

EMPLOYEE ADVANCES

In prior audit's we found that employee advances had not been tracked correctly. This year we found one advance had not been tracked correctly.

We recommend that employee advances be tracked with a formal ledger.

GENERAL LEDGER CLASSIFICATION

During our audit we noticed certain classification errors. There has been great improvement in this area., but there were still a few problems that require attention..

We wish to thank Dixie Workshops' personnel for their support and assistance during the course of our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC

January 23, 2006